RÉPUBLIQUE FRANÇAISE

Liberté
Égalité
Fraternité

PROPARCO
GROUPE AFD

PROPARCO
IMPACT REPORT
2022

Contents

06 – Understanding

Proparco: working for impact

14 – Measuring

Our impacts in 2022

20 – Supporting

Our projects in 2022

Our *raison d'être*

Proparco is building the future by supporting private sector initiatives for a more just and sustainable world

Proparco, the AFD Group subsidiary dedicated to private sector financing, has been promoting sustainable economic, social and environmental development for over 45 years. We help to finance and support companies and financial institutions in Africa, Asia, Latin America and the Middle East. Our action aims to boost the contribution of these private sector actors to achieving the Sustainable Development Goals (SDGs) adopted by the international community in 2015. In the midst of crises, uncertainty, climate urgency and growing inequality, we are more determined than ever to work for a more just and sustainable world.

+450
employees

115
countries

7.7
billion worth of assets at 31/12/2022

"2022 has provided a new strategic impetus"

Françoise Lombard,
CEO, Proparco

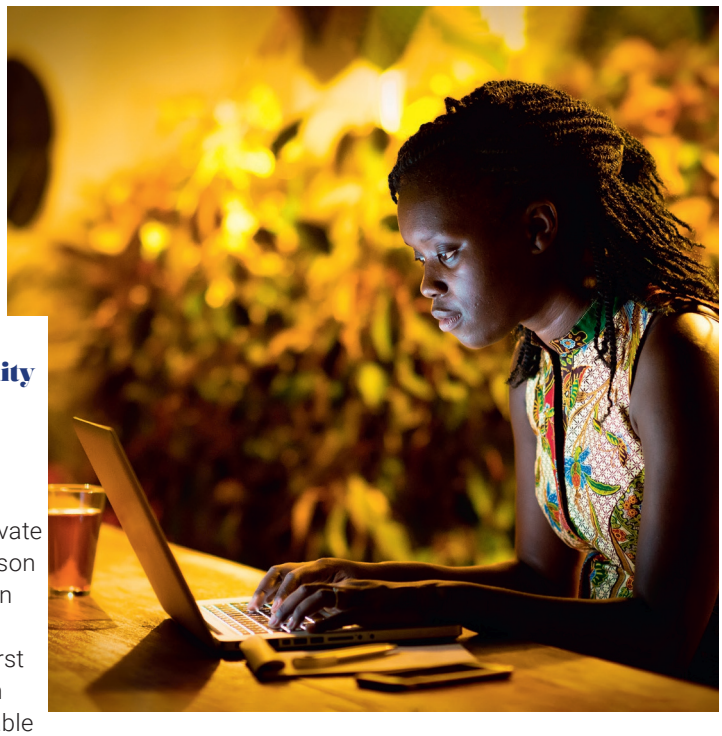
Proparco is determined to support efforts to create ever more positive impacts. This quest for impact and our commitment to the Sustainable Development Goals (SDGs) underpin all of our actions, our exchanges with our clients and partners and the management of our activities. They define **our *raison d'être:* building the future by supporting private sector initiatives for a more just and sustainable world.**

2022 was a pivotal year in this respect. It witnessed the end of the 2020-2022 strategic cycle and significant progress in terms of measuring and tracking our impacts. The sustainable development rating system, developed and adopted last year, was a key move. It allows us to analyse the contribution of each of our financing operations to the various dimensions of sustainable development: climate, biodiversity, society, gender, the economy and governance. Moreover, to play an active role in achieving the objectives of the Paris Climate Agreement, **Proparco has placed low-carbon development that is resilient to the effects of climate change at the very heart of its strategy.** In 2022, over 40% of approved operations had climate co-benefits and the clients and projects funded will mean that 4.6 million tons of CO2 equivalent will be avoided each year.

To go even further, we have adopted our **new Strategy 2023-2027: acting together for greater impact** (detailed on pages 12 and 13). This stresses in particular **Proparco's role in reducing gender, economic, social and territorial inequalities.** We will therefore expand our action to promote gender equality, especially through our involvement in the 2X Challenge. This initiative, which was launched in 2018, has showcased the widespread adoption of uniform standards in terms of mainstreaming gender into funding criteria.

Lastly, we will continue to refine our methods of measuring and monitoring the impacts we generate through our funding. Only then will we be able to achieve the objectives of our new strategy and **respond to major contemporary challenges.**

2022 in four key events



Launch of the African Private Equity Fellowship

To support the future generation of African investors, Proparco has launched the African Private Equity Fellowship. In liaison with the Continent's main funds, the AFD Campus and France Invest, the first programme kicked off in January 2023. It will enable 50 young professionals to expand their network and give their career a boost thanks to a six-month course given by investors and experts.

Adoption of Strategy 2023-2027

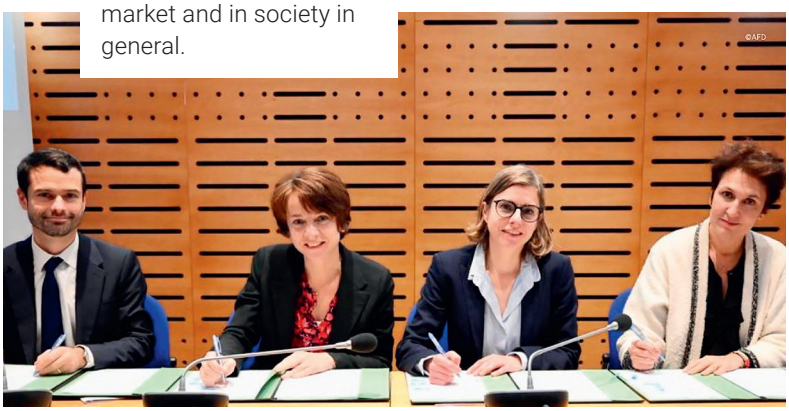
With "Acting together for greater impact", Proparco is embarking upon a new strategic journey to help the private sector develop solutions for a more just and sustainable world. Driven by three overriding objectives: working for a sustainable and resilient economy, for our planet and for greater equality, this new strategy will help to develop dynamic, green, inclusive and more resilient economies.

Signature of Women Empowerment Principles

At a round table event organised to discuss its actions to promote gender equality and equal opportunities, AFD signed the Women Empowerment Principles with *ONU Femmes France*. By signing up to this programme, Proparco is stepping up its commitment to empowering women in business, in the labour market and in society in general.

A sustainability rating for each project

Projects now get a sustainability rating as soon as they are identified. This rating, combined with Proparco's new strategy and structured around seven sustainable development criteria, will make it easier to assess the environmental, social and economic impacts of projects more effectively and to track the projects themselves.



Financing the private sector and sustainable development

Our approach to mobilising private finance

Proparco is committed to building a better future by supporting private sector initiatives for a more just and sustainable world. All of our operations aim to boost the role of the private sector in achieving the Sustainable Development Goals (SDGs) adopted by the international community in 2015.
Our action takes the form of:
- financing private sector and financial actors wishing to contribute to the economic, social and environmental development of emerging and developing countries;
- helping these actors improve their operational, social and environmental performance and the governance of their institutions.

Through our funding, we seek to identify and support as many positive sustainable development impacts as possible. The quest for impacts is therefore at the heart of the project life cycle (see infographic p. 7). It is also inseparable from an analysis of the environmental, social and governance risks inherent in each financing operation, especially since controlling these risks can also generate and reinforce the positive impacts of a project.

The overriding ambition of the SDGs requires solid global cooperation and partnerships. Our partnerships aim to strengthen technical and financial cooperation to boost our development impact.
To meet the growing and increasingly complex demands of the private sector in the countries in which we do business, for several years now, we have been expanding our partnerships with other development finance institutions (bi/multilateral and regional) and especially with European Development Finance Institutions (EDFIs), private investors and practitioners and experts.

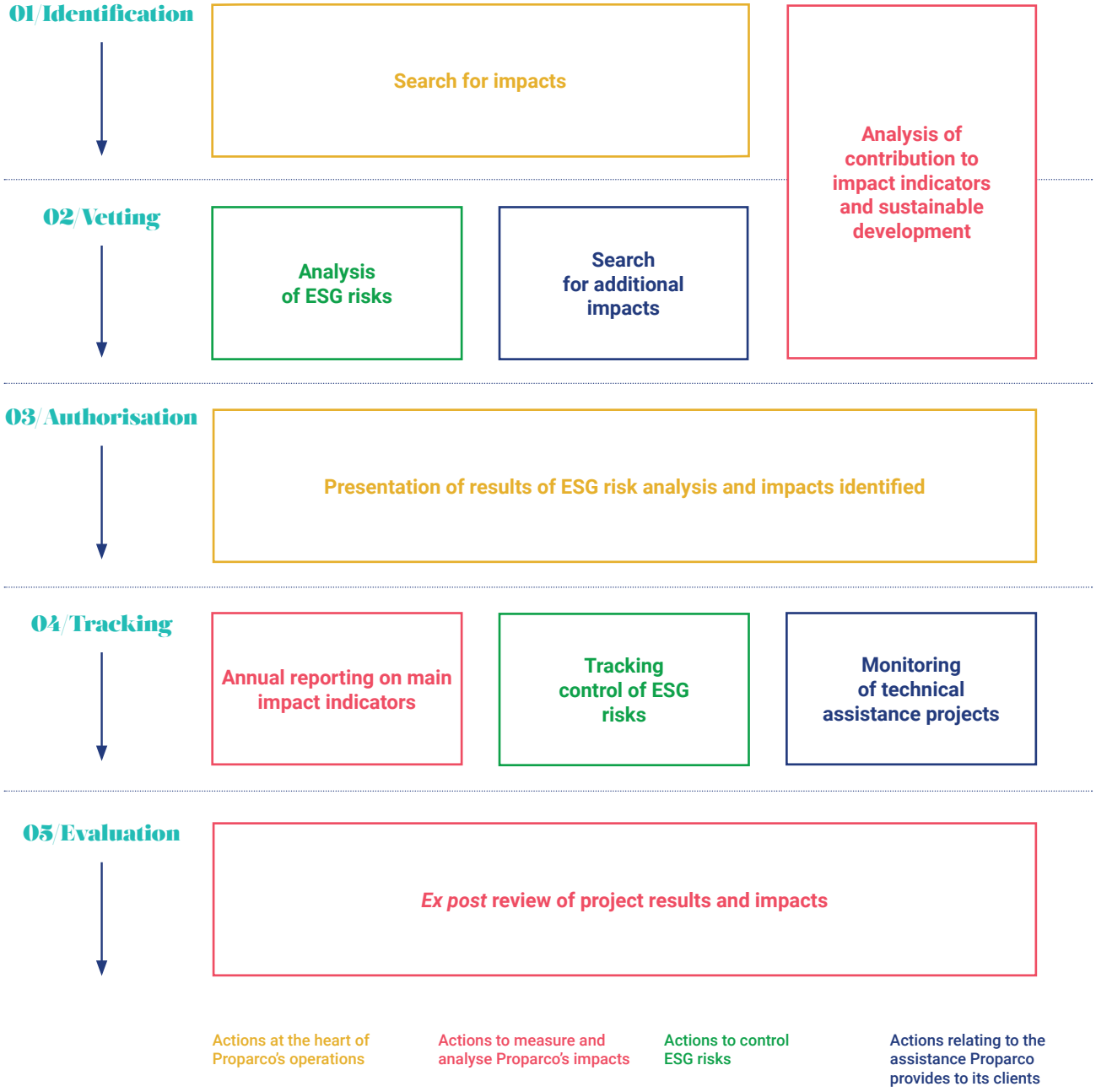
Moreover, in 2022 we continued to contribute to the development of impact standards and best practices as a member of the Advisory Board of Impact Principles and of the Investors' Council of the Global Impact Investing Network (GIIN). This work provides a forum for experienced impact investors to strengthen the practices of impact finance market players.

Lastly, in 2022, we once again participated in the "Impact Finance" market group of the Institute for Sustainable Finance – formerly Finance for Tomorrow – by taking part in the "Impact Charter for Investment Funds" and "Hub Resources" working groups. This group, which brings together more than 150 institutions from the Paris financial markets, aims to provide participants with operational tools that support a type of impact finance that is useful and effective in transforming the real economy in a fair and sustainable way.

› Impact lies at the heart of Proparco's operations

The life cycle of a Proparco project

Because tracking and evaluating operations financed by Proparco is essential to the effectiveness of our action, monitoring and analysing impacts takes place throughout the project life cycle, from identification to *ex post* evaluation of its results. Our approach is underpinned by cross-functional impact measurement that covers the analysis of environmental, social and governance risks inherent to each project, as well as the support provided to our clients.



Measuring the impacts of our activities

Our analyses for objective results

As a development finance institution, Proparco evaluates and reports on the impacts of its action by measuring the results and impacts of its financing. As part of Strategy 2020–2022, the anticipated impacts of each project are assessed based on five impact indicators that contribute more generally to one or more of the SDGs (see chart opposite). In 2022, we implemented a project to adapt the method for measuring how AFD's operations contribute to the SDGs.

The results and impact measurement approach – which is integrated into the project cycle – aims, firstly to help with the financing decision by determining the expected impacts of the financing project over the five years after it has been signed, based on estimates made at the time of signature – also known as *ex ante* impact estimates (see "Measuring throughout the project cycle" p. 9). It is performed with regard to our three main strategic objectives for 2020-2022:

- increasing our direct impacts on supporting employment and improving access to essential goods and services;
- stepping up the mobilisation of private financing for sustainable development investments (SDI);
- stepping up our contribution to the emergence of the players and sectors of tomorrow.

In a second phase, we collect the data needed to compile these key indicators during the annual impact monitoring campaigns. *Ex-post* project evaluations can also be performed on a specific theme and/or sector. These exercises are performed for capitalization purposes, to ascertain the actual impact of the projects financed, to identify the most effective ways of supporting the impact objectives and to respond to the growing demand for accountability from Proparco's partners. No such exercise was performed in 2022.

"We are committed to a process of continually improving our impact measurement"

Arnaud Uzabiaga, Head of the Impact Measurement Unit, Sustainable Development division

› Five impact indicators in Strategy 2020-2022

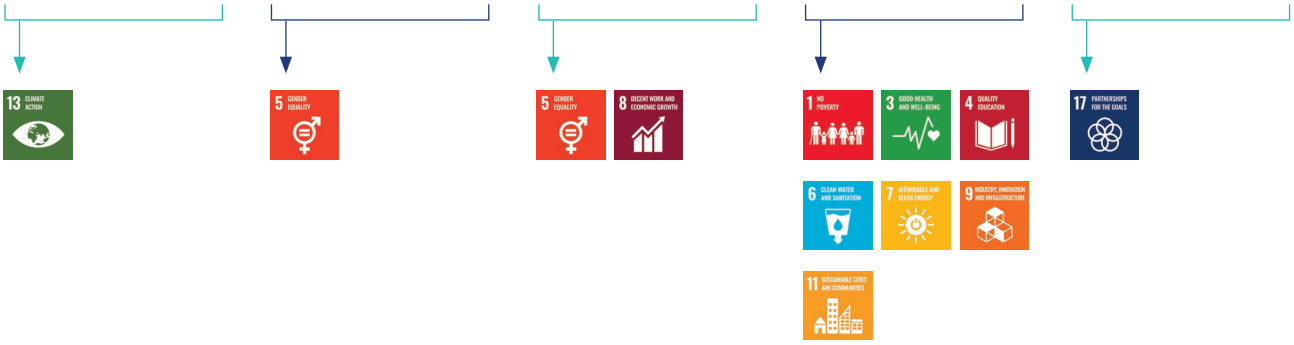
Number of equivalent tonnes of CO2 avoided

Percentage of financing signed that qualifies for 2X

Number of jobs created and/or maintained

Number of people who will get new or improved access to an essential good or service

Volume of financing raised from private actors for sustainable development investments (SDI)



› Measuring throughout the project cycle

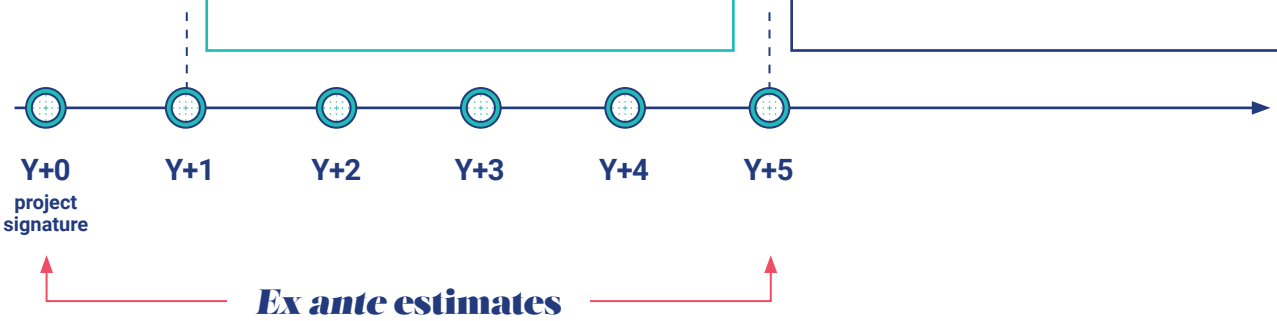
Meeting our commitments to transparency and accountability

TRACKING Objectives:

- Comparing *ex-ante* estimates with impacts observed during project deployment
- Improving our impact knowledge
- Supporting deployment of our impact-focused strategy

***EX POST* EVALUATION Objectives:**

- Developing our knowledge of just and sustainable financing in the private sector
- Performing strategic reviews



Ex-ante estimates: determining the expected impacts of the financing 5 years (Y+5) after signature (Y+0). This is based on estimates made at the time of signature.

Selecting projects that generate impacts

Our project selection method

In 2022, our Impact Measurement Unit continued its work on the development of "sector impact sheets". These are intended to enable our investment officers and our local or regional offices, particularly in the project identification and vetting phase, to gain a better understanding of the potential impacts of projects and to identify potential additional impacts. Each of these sheets identifies:

- the sector's key economic, social and environmental challenges;
- the 'impact thesis' (which analyses how the actions implemented can impact objectives);
- project types with high impact potential;
- and recommendations concerning "100% compliance with the Paris Agreement", climate qualification and gender equality.

In addition, since 1 October 2022, projects submitted to the Identification Committee must get a sustainable development rating (see opposite). This rating system is structured around three main pillars (aligned with the three pillars of Proparco's Strategy 2023-2027; see p. 13) and seven sustainable development dimensions (see infographic on p. 11). It provides a more detailed analysis of the type of impacts that projects can generate. It should also facilitate the analysis and monitoring of these impacts and nurture strategic thinking in terms of impact objectives. An initial review, to be performed in the third quarter of 2023, will enable the necessary methodological and operational adjustments to be made.

COMPLIANCE WITH THE PARIS CLIMATE AGREEMENTS

In line with AFD Group's 2017 commitment to "100% compliance with the Paris Climate Agreement", we are systematically aligning our direct (since 2018) and indirect (since 2021) financing and investments with AFD's objectives. This approach aims to ensure that climate issues and the sustainability of the projects we support are taken into account in a more effective way. In concrete terms, we test for the risk of inconsistency with the objectives of the Paris Agreement.

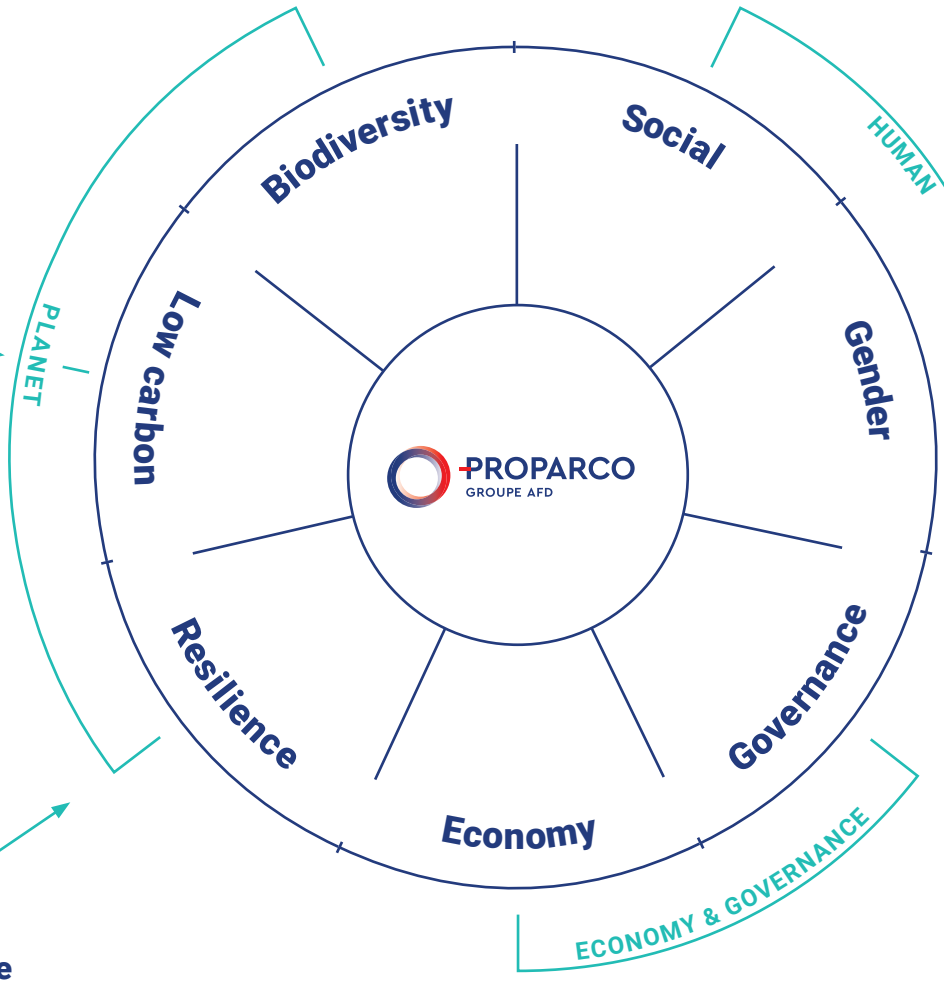
› The dimensions of the sustainable development rating

Biodiversity
Preservation of biodiversity, management of natural environments and natural resources

Social
Social ties: reduction of inequalities and inclusion

Low carbon
Transition to a low-carbon pathway

Gender
Gender equality



Resilience
Resilience to climate change

Governance
Long-term project impacts and governance framework

Economy
Sustainable and resilient economy structured around people and the planet

Acting together for greater impact

Our Strategy 2023-2027

As the world grapples with multiple economic and geopolitical crises, climate emergencies and growing inequalities, Proparco is deploying its new Strategy 2023-2027.
Structured around three strategic focuses and differentiated operational approaches, this five-year roadmap is driven by ambitious impact-based objectives for a more just and sustainable world.

Over the past few years, the world has been severely affected by major crises and growing inequalities.
15 million deaths have been directly or indirectly linked to the Covid-19 pandemic, which has reversed more than four years of progress in the fight to eradicate poverty. The economic recovery remains fragile and uneven while poverty is on the rise. In addition, 2 billion people live in countries affected by conflict.

Without strong concerted action, these crises will simply multiply and deteriorate as current production and consumption models are unsustainable given their harmful impacts on the climate and biodiversity.

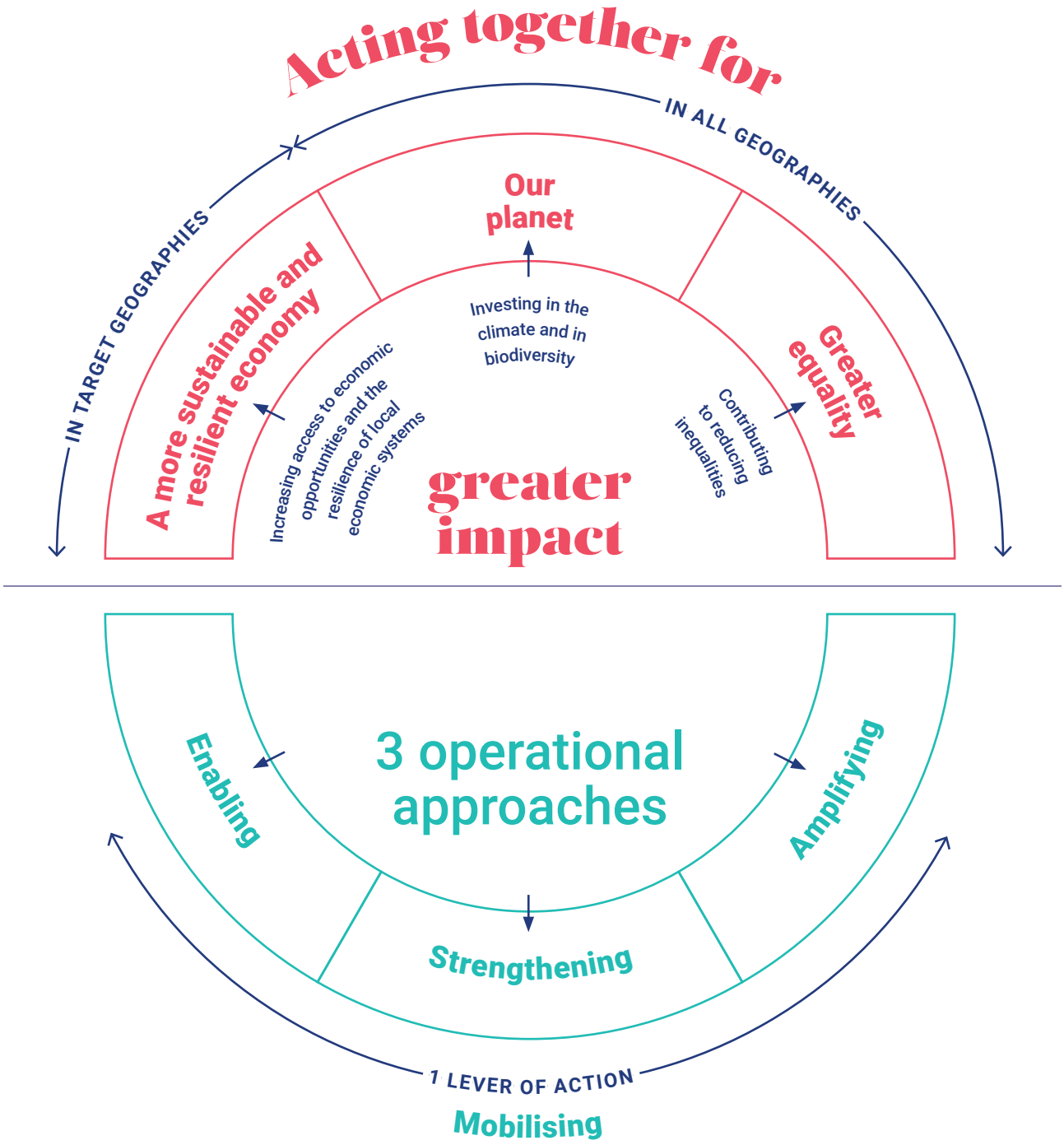
Start-ups, SMEs, the various stakeholders in local financial systems and all investors have an essential role to play, especially given their ability to unlock economic opportunities and provide innovative and sustainable solutions to the challenges we face. As such, we are reiterating our ambition in our new Strategy 2023-2027: resolutely focused on our clients to support them on a sustainable development pathway: "Acting together for greater impact".

We wish to prepare for the future:
The future of our planet, by continuing our action to combat climate change, by stepping up climate adaptation initiatives and by working with our clients to come up with more environmentally friendly solutions. The future of our clients, by providing them with more support and differentiated solutions as they make their transition. Over the next five years, we will be adapting our offering and processes around three new operational approaches and a cross functional approach (see opposite): Enabling, Strengthening, Amplifying and Mobilising. We are working together with our clients and partners to generate more impact for a more just and sustainable world.

"The climate emergency and growing inequalities have become even more acute. The private sector has never had such a big role to play. It is an essential driver for achieving the SDGs."

Françoise Lombard, CEO, Proparco

› A strategy driven by impact-based objectives



Contribution of projects signed in 2022 to SDGs

59 new projects totalling €1.46 billion[1] have been analysed and subject to an *ex ante* impact assessment. Their expected contribution to the Sustainable Development Goals (SDGs) is summarised below[2].

(1) These 59 projects accounted for over 80% of financing agreements signed in 2022 (total signatures amounted to €1.8 billion). Most of the remaining 20% comprises risk sharing solutions provided to financial institutions with the aim of providing African SMEs with access to bank financing.
(2) For each SDG met by a project (a project can meet several SDGs), the amount of the project is recorded: respectively up to the % of 2X qualification and the % of climate co-benefits for SDG nos. 5 and 13, and up to 100% for the other SDGs. The sum of the amounts attributed to each SDG (in millions of euros) is therefore greater than the total amounts signed for the 59 projects. The diagram is not to scale.

Helping to combat climate change

4,606,000

tonnes of CO2 equivalent avoided/year

Promoting gender equality

12.5%

of amounts signed Qualify for the **2X Challenge**[1]: €203 million

Supporting employment

1,345,000

jobs created over the next 5 years, including 38,000 jobs created directly by our clients

Mobilising private finance

€1,662M

in **private finance** raised, i.e. a mobilisation ratio of 0.84

Improving access to essential goods and services

3 million

beneficiaries of new or improved access to an essential good or service

2,162,000

beneficiaries of new or improved access to **renewable energy**, o/w 857,000 in Africa (100% in sub-Saharan Africa)

364,000

beneficiaries of new or improved access to **micro-credit**

263,000

beneficiaries of new or improved access to **drinking water**

194,000

beneficiaries of new or improved access to **health services**

99,000

beneficiaries of new or improved access to **public transport**

2,500

beneficiaries of new or improved access to **affordable housing**

20,000

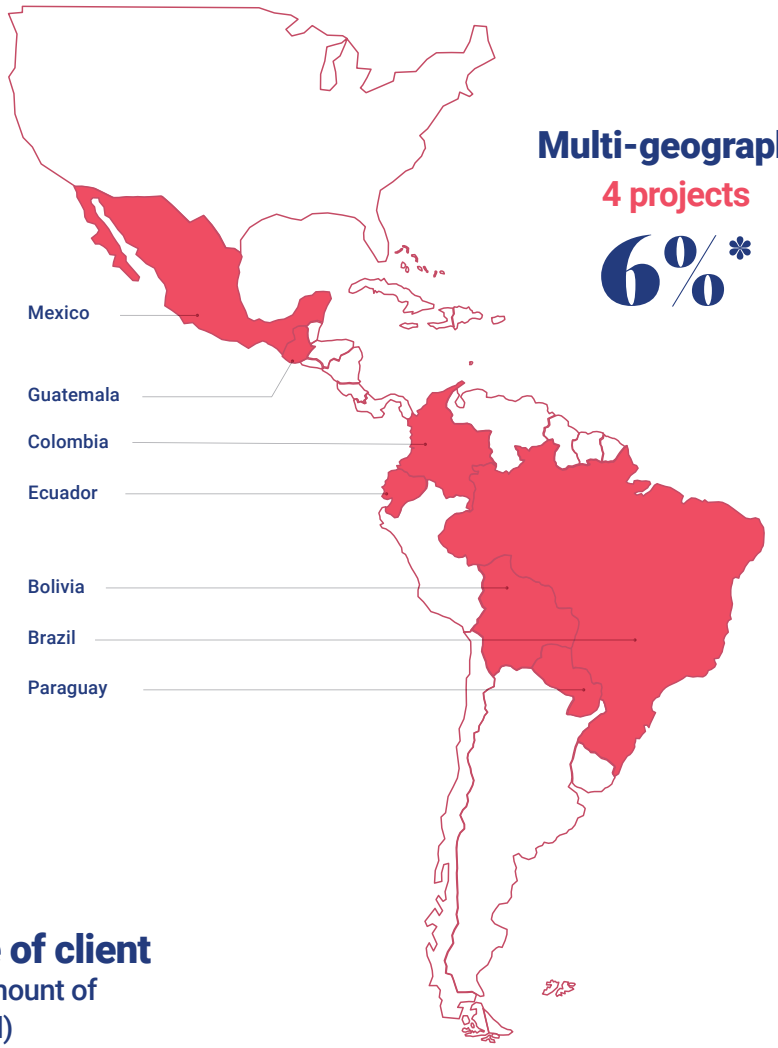
beneficiaries of new or improved access to **education**

(1) 2X Challenge: an initiative launched at the 2018 G7 in Canada, which aims to collectively commit and raise funds for projects that reduce gender inequality. 2X criteria have been devised to help participants identify compatible investments and initiatives.

Breakdown of projects analysed worldwide

59

new projects signed in 2022, for a total of €1.46 billion, were subject to an *ex-ante* impact assessment

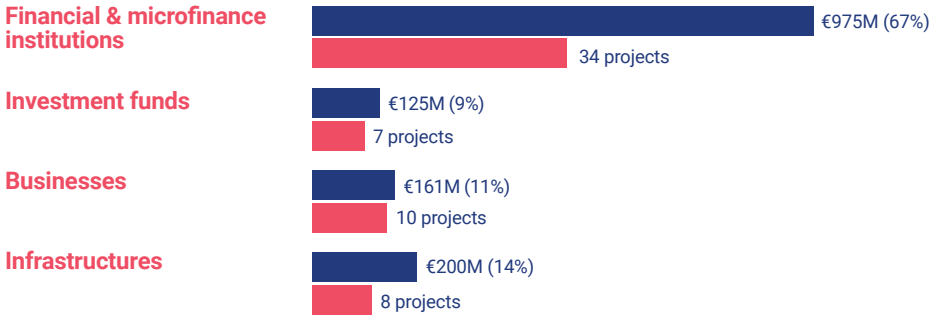


Multi-geography
4 projects
6%*

Latin America & Caribbean
11 projects
20%*

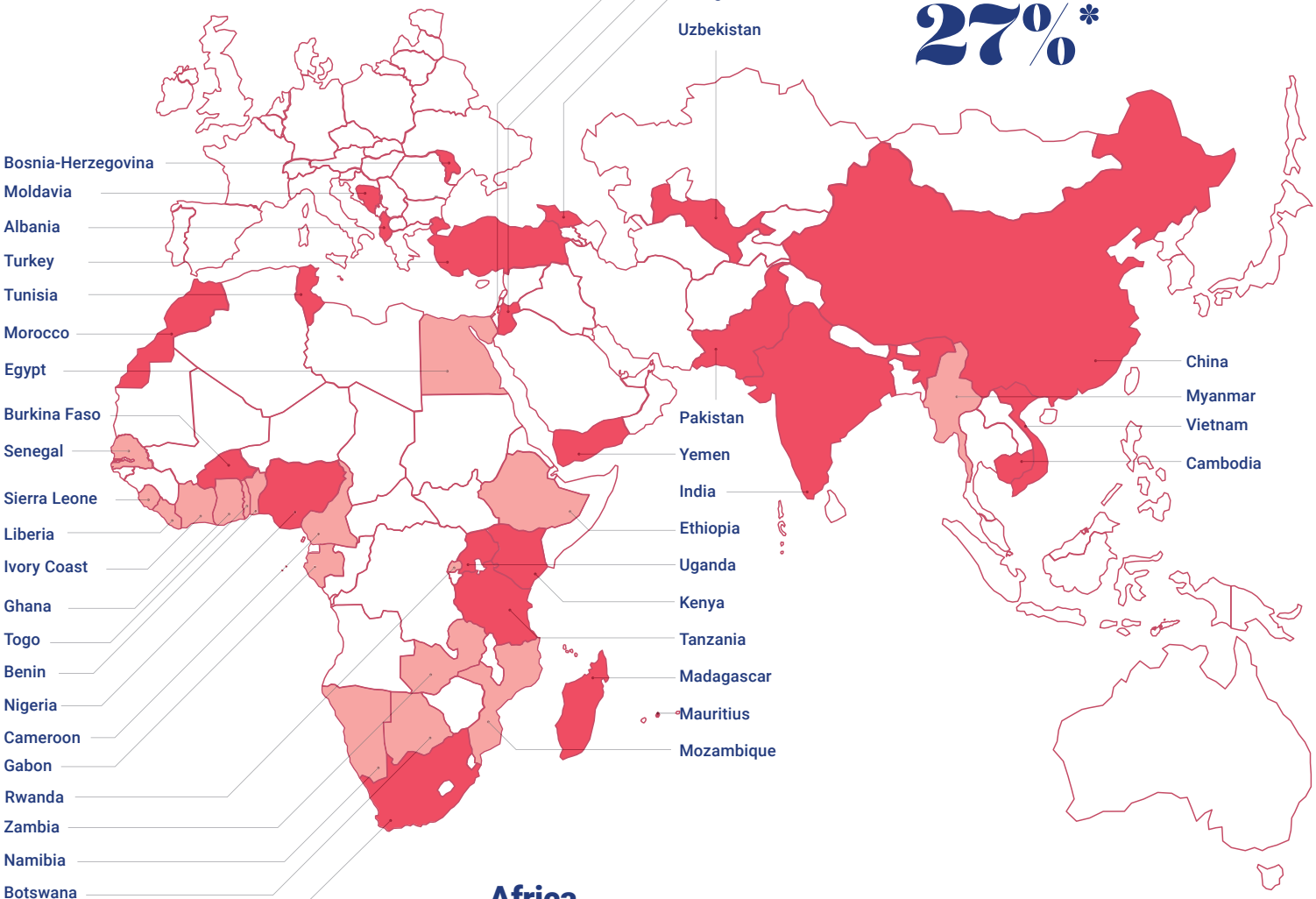
Breakdown of signatures by type of client

(amount of signatures, percentage of total amount of signatures and number of projects concerned)



Europe
3 projects
2%*

Asia
17 projects
27%*



Africa
24 projects
o/w 8 are multi-geographic
45%*

Countries in which project is funded – operations in a single country

Countries in which project is funded – operations in several countries (in the case of investment funds based on geographical forecasts)

* The percentage per geographical region is calculated in euros.

Tracking our impacts 2016-2020

In 2022, project monitoring focused on the impacts measured at end-2021 for 281 projects signed between 2016 and 2020 (254 unique clients) for a total of €4.9 billion. While the impacts measured were generally in line with our *ex-ante* estimates, differences were noted in certain impact indicators. The annual project monitoring process was used to compare *ex ante* estimates with impacts measured during project deployment (see Measuring the impacts of our activities p. 8-9).

Investing in a sustainable and resilient economy

Supporting employment

108%

of *ex ante* estimates of direct and indirect jobs supported

Protecting the planet

Helping to combat climate change

73%

of *ex ante* estimates of tonnes of CO_2 equivalent avoided/year

Helping to reduce inequalities

Improving access to essential goods and services

61%

of *ex ante* estimates of access to electricity provided

Promoting gender equality

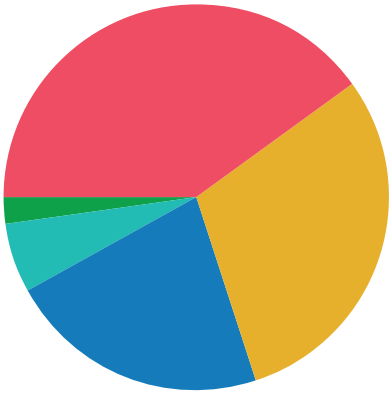
92%

of projects that qualify for the 2X Challenge have been maintained or upgraded, depending on the qualifying criteria

Geographic breakdown of projects signed between 2016 and 2020

40 %

of financing in Africa



30%

Latin America & Caribbean

22%

Asia

6%

Multi-geography

2%

Europe

Progress made in annual monitoring of impact indicators helps to support the deployment of our impact-focused strategy and improve our knowledge of impacts.

Our projects in 2022

Gender

Getting our clients to commit to gender equality

18

projects signed by Proparco in 2022 qualified for the 2X Challenge that promotes gender equality

34%

of euro amounts that qualify for 2X in Africa

79%

of euro amounts that qualify for 2X in Africa earmarked for financial institutions (including microfinance)

+

Scan the QR code to read edition #33 of Proparco's *Private Sector & Development* magazine on gender equality (2020).

Ensuring the development of quality job opportunities across the entire working age population while also promoting gender equality is a major challenge to which Proparco contributes through each of its financing operations.

Since 2018, Proparco has been participating in the 2X Challenge, which has become a benchmark in the development finance community.

The 2X Challenge community, which works to reduce gender inequalities, has continued its efforts to promote the adoption of uniform gender mainstreaming standards. Since 1 January 2023, the 2X Challenge has been part of 2X Global, a network that now includes the entire ecosystem of actors united in support of gender equality.
To round out our work to tackle gender inequalities, we initiated several projects in 2022: participation in a new 2X certification system, development of an approach to the risks related to gender-based violence, and development of technical assistance and awareness-raising aimed at mainstreaming gender issues into our clients' practices in a more effective manner.

A new commitment with the signature of the UN Women's Empowerment Principles

Proparco signed the Women's Empowerment Principles (WEP) in December 2022 at the same time as AFD and Expertise France. WEP were drawn up by the UN Global Compact and UN Women to provide guidance to companies and development banks on promoting gender equality and female empowerment in the workplace. They are promoted by UN Women as one of the leading private sector gender equality initiatives. Adherence implies membership of a group that exchanges best practices based around regular communication of data certified by AFNOR, the French standards organisation.

Report

Microfinance helping to empower Indian women

Annapurna Finance, the Indian microfinance institution specialising in social loans is being supported by Proparco. It serves a predominantly female population in rural areas where there is a low level of financial inclusion. In this report from the state of Odisha in northeast India, we meet up with some women beneficiaries.

Annapurna Finance was founded in 2007 and is one of India's leading microfinance institutions (MFIs). Thanks to its strong rural network, it serves an overwhelmingly female public a long way from traditional banking systems. It is present throughout the country and serves 2.3 million customers, 99% of whom are women.

In 2022, Proparco invested US$ 15 million in a financing drive for Annapurna Finance. This investment drive, for a total amount of US$ 100 million, will enable this MFI to grow its loan portfolio, invest in new technologies, expand its geographical footprint and pursue its vision of large-scale financial inclusion.

Annapurna, the XXL microfinance institution

At Annapurna's headquarters in Bhubaneswar – the capital of the Indian state of Odisha – a charter summarises the Company's integrity and transparency-based rules. Annapurna Finance's primary mission is "to serve low-income customers and their families by providing ethical, dignified, transparent, fair and effective financial services." In Hirapur, a remote village in Odisha, six women have formed a collective to benefit from this micro-credit programme that plays a vital role in empowering women. Their names are Mina, Jharna, Nirmala, Ranjita, Sulochana and Sosmita and they are weavers, fisherwomen and sellers… Thanks to the support of Annapurna Finance, they are able to create and develop income-generating activities, often from their own homes.

1,000
branches throughout India

2.3
million customers

$US 1 bn
under management

+

Read the complete Annapurna Finance report online.

Mina and Sulochana: micro loans for escaping from extreme poverty

With a precise movement she has repeated a thousand times, Mina slides the shuttle insertion device into a loom, set up in a room in her house. Using her expert hands, in time to the rhythm of the machine, the contours of a red, white and black squared sari are gradually coming together – a fabric she will be able to sell for between 400 and 800 rupees a piece (roughly 5 to 10 euros).

This particular day, this 46-year-old mother of two will spend eight hours putting together three pieces of this long draped fabric, a symbol of Indian feminine beauty and elegance. As she explains, pointing to her electric loom, "It is a hard and demanding job but, thanks to this investment, I have trebled my output".

So Mina was able to escape her previous situation of extreme poverty. "I used to work on a handloom, which was a lot less reliable. Two years ago, I was able to buy this model thanks to a 30,000 rupee loan (about 370 euros) from Annapurna Finance. I pay it back each month, without any problem."

Beside Mina, her face lit up by a bindi – the red dot that Indian married women wear between their eyebrows – Sulochana tells her story. "Six months ago, I learned that Annapurna Finance was helping women in our community. I contacted [the MFI] and got a loan of 50,000 rupees (about 550 euros)," she says, holding her infant child. "I was also using a manual loom. With this electric one I have just bought, my output has increased dramatically. I used to earn 200 rupees a day (less than 3 euros). Now I can expect to earn five times more."

"The financial and social impacts of microfinance in India are very significant, especially for women. By 2027, our goal is to support 4 million women who are far removed from traditional banking systems."

Dibyajyoti Pattanaik, Director, Annapurna Finance

Climate

Supporting the efforts of our clients

4.6

million tCO2e avoided every year thanks to

28

projects with climate co-benefits signed in 2022

Promoting low-carbon development that is resilient to the impacts of climate change is now a key part of our strategy.

We are determined to actively participate in the challenge represented by the objectives of the 2015 Paris Climate Agreement. In 2022 in phase with our strategy 28 climate co-benefit projects were signed for a total amount of €895 million, a figure in line with the 26 projects signed in 2021.

The financing agreements signed in 2022 are expected to avoid average emissions of 4.6 million tonnes of CO2 equivalent (tCO2e) a year. Renewable energy projects are the biggest contributors, accounting for 77% of tCO2e avoided per year. Four projects accounted for the bulk of tCO2e avoided.

- Two joint renewable energy projects in Uzbekistan – Bash Wind and Dzhankeldy Wind – involving the construction of two onshore wind farms, account for 49% of tCO2e avoided.

- The Alcazar Energy II multi-country project covered by the emerging markets renewable energy infrastructure investment fund accounts for 23% of emissions avoided.

- The India-based Circulate Capital Ocean Fund I-B (CCOF I-B), which aims to finance high-impact local businesses and start-ups in waste management and sustainable plastics recycling, accounts for 20% of tCO2e avoided.

To strengthen the support it provides to its clients, Proparco has two facilities dedicated to battling climate change.

PROCLIMAT: help with mainstreaming climate issues into the strategy and operations of financial institutions. In 2022, support was provided to five financial institutions.

GSS (GREEN SOCIAL AND SUSTAINABILITY) BONDS: helping financial institutions to issue green, social and sustainable bonds.

PROJECT FOCUS

In South Africa, Proparco, FirstRand and Investec are promoting climate finance

FirstRand Bank

In 2022, Proparco working on behalf of AFD Group – provided a US$ 100 million credit facility to FirstRand Bank Limited for climate finance. This new operation between AFD Group and FirstRand Bank came less than a year after the two parties signed a joint Memorandum of Understanding during COP 26 to step up climate finance in South Africa.

Investec Bank

In 2022, Proparco also supported Investec Bank's efforts to develop climate finance in South Africa through a long-term US$ 80 million senior credit facility backed up by a technical assistance programme.

TSFC

These operations kicked off AFD Group's Transforming Financial Systems for Climate (TFSC) programme in South Africa, in partnership with the French government-backed Green Climate Fund. TFSC is a $650 million global program covering 17 countries that includes investments in key development areas such as affordable housing, renewable energy and carbon-light, energy-efficient production.

Report

In sub-Saharan Africa, the ARAF fund is strengthening the climate resilience of smallholder farmers

Financed by several partners and development finance institutions – including Proparco, via AFD Group's FISEA+ facility – the ARAF fund targets the issues of food security and climate change. It invests in start-ups offering innovative solutions to improve the conditions and climate resilience of smallholder farmers in East and West Africa. Tamer El-Raghy, its managing director, provides further details.

Tamer El-Raghy's assessment is clear.

"Climate change is wreaking havoc here," warns from Nairobi the manager of equity fund ARAF (Acumen Resilient Agriculture Fund) which operates in several African countries affected by climate change. "This high exposure to these climate events makes the performance of the agriculture sector in Kenya – and everywhere else in Sub-Saharan Africa – highly unstable," points out this expert who graduated from universities in Cairo and New York. "Indeed, over half of the people living in poverty are smallholder farmers. Yet they provide 80% of the food consumed in the region." This illustrates how climate change, which hundreds of thousands of African farmers are facing, weakens local economies and exacerbates food security.

30% of beneficiaries live below the poverty line

To address this situation, the ARAF fund, which was launched in 2020 by Acumen Capital-Partners – a subsidiary of Acumen, an organization specialized in supporting social enterprise in Africa – , invests in local start-ups offering innovative solutions to smallholder farmers. The objective is to build an ecosystem that will give farmers in East and West Africa the means to increase their incomes and improve their living conditions and resilience to climate change. "We're currently investing in 6 start-ups and are ultimately targeting between 5 and 7 additional investments by 2026," explains Tamer El-Raghy. ARAF is supported by the Green Climate Fund and is financed by $58 million worth of investment from several partners and development finance institutions, including Proparco which took a $5 million stake in 2021, through FISEA+, the AFD Group's facility deployed by Proparco as part of the Choose Africa initiative. Over the next 4 years, the fund aims to safeguard some 1,200 jobs and indirectly support a total of 2 million smallholder farmers.

Working towards resilience to the consequences of climate change

On the ground, the ARAF teams regularly measure the impacts on the living standards of farmers and their work. For example, the Kenyan start-up Sun Culture, which supplies solar irrigation systems to its clients, estimates that on average there has been a 120% increase in the disposable income of the farmers who benefit from its innovations. "With climate change, rainfall in Sub-Saharan Africa has declined by over 100 mm a year since the mid-1970s," says Samir Ibrahim, cofounder of SunCulture.

+

Scan the QR code to read edition #38 of Proparco's Private Sector & Development magazine on climate change adaptation (2022).

PROJECT FOCUS

SunCulture: providing access to water and lighting

For Samir Ibrahim, cofounder of SunCulture, making African farmers resilient to climate change necessarily requires improving access to water. "96% of cultivated land in Africa is watered with rainwater and is not irrigated. The situation is getting worse and causing sharp declines in yields." The Kenyan start-up, which also operates in Côte d'Ivoire, Ethiopia, Togo and Uganda, offers solutions using off-grid solar technology. This provides reliable access to water, irrigation, lighting and mobile phone charging. "We are enhancing the climate resilience of smallholder farmers as well as their food security and their economic empowerment."

As a result, Africa, which has 65% of the world's uncultivated arable land, has an annual food imports bill of $35 billion. Yet with the technological advances in agriculture, the continent should be able to feed its population without the slightest problem. "For this to happen, these advances must focus as a priority on helping smallholder farmers who are the most vulnerable to climate change," says Tamer El-Reghy. "It's both a need and an emergency."

"The activities of the start-ups we're supporting have already had an impact on some 400,000 farmers in Sub-Saharan Africa. 43% of them report that they are now resilient to the consequences of climate change and 79% say that their incomes have increased."

Tamer El-Raghy, CEO, ARAF

Technical assistance

Supporting our clients' transformation

Proparco has been providing technical assistance services to its clients for over ten years.

In addition to financing, our clients may also need support in implementing their projects or improving their practices.

These projects are designed to help clients upscale best practices and CSR (Corporate Social Responsibility) solutions, to improve their contribution to the fight against climate change and enhance their development impact.

While these needs may be found in any region of the world, they are more marked in the countries in which we operate. Indeed, businesses in these countries often operate in environments where there is a shortage of training, information or know-how, which curtails their growth and, by extension, their contribution to economic and social development.

In addition to financial support, we provide our clients with a technical assistance offering (TA): Propulse.

Propulse is an accelerator for responsible practices and impacts that meets the challenges of upskilling and/or transforming companies via external expertise. For us, it is a way to encourage mainstreaming and dissemination of strategic issues tied to sustainable development for our clients.

From support initially focused on capacity building for our clients, Proparco's TA offering has gradually evolved to encompass a broader range of support, which can benefit a wide variety of players operating in the private commercial sector. Indeed, better business practices have a global knock-on effect on the sector/industry and help to structure it over the longer term.

While business development support in new markets at company level was already available (i.e. market research, opportunity analysis, new product development), our TA offering now goes further by beginning in the upstream phase in order to demonstrate a market's potential and operating conditions and to facilitate the emergence of new players. Propulse therefore helps to explore new opportunities in riskier, less mature environments, thus opening up new possibilities.

In 2022, Propulse enabled several businesses to upskill. 13 new technical assistance projects were approved (outside of FISEA) for a total of €3.5 million.

PROPULSE
Accélérateur d'impacts

PROJECT FOCUS

Health education for the workers of AHL in Bangladesh

AHL is a leading producer of pullovers in Bangladesh and about 50% of its workforce are women. Thanks to technical and financial support provided by Propulse, AHL has set up a training programme for its female staff on specific health issues, such as contraception and family planning, maternity, breastfeeding, healthy living and disease prevention (HIV, cancer, etc.). More than 1,100 women will receive training around these issues. As part of an effort to disseminate and transmit information more widely, the programme is also available to male workers.

PROJECT FOCUS

Propulse Academy, a new training offering

The Propulse Academy, which was launched in 2022, facilitates training activities and the sharing of best practices for the benefit of a number of Proparco clients, either through face-to-face workshops or virtual seminars. The aim is to help partner companies (or their employees) upskill in key areas for private sector development and on ways of mainstreaming the impacts of the projects deployed. This is the reason the African Private Equity Fellowship was launched in January 2023. In addition to building skills, Propulse Academy aims to unlock new opportunities, especially by helping our clients to network with each other and by disseminating best practices.

+

Scan the QR code to read edition #36 of Proparco's Private *Sector & Development* magazine on Technical Assistance (2021).

ESG

Strengthening our project risk management

For each of its financing operations, Proparco conducts an analysis of both the environmental and social (E&S) and governance (G) risks.

This process aims to avoid, reduce or even offset the negative impacts of the projects financed and to reduce the financial and reputational risks for Proparco that are related to these ESG risks. Our approach is in line with the best practices of international financial institutions.

Proparco conducts Environmental and Social (E&S) due diligence for each operation. The objectives are to determine the extent and severity of the operation's E&S risks, to analyse the investee's capacity to properly manage these risks, and to devise the actions necessary to eliminate, reduce or offset the risks.

The financing decision is based on this due diligence, and more specifically on knowledge of the nature and severity of the transaction's E&S risks and the client's ability to control these properly within a reasonable timeframe.
A client gender equality assessment is incorporated into each specific E&S due diligence performed.

For projects with moderate and significant risks, improvement initiatives are devised jointly with the beneficiaries of the financing project and incorporated into an "environmental and social action plan" that forms part of the contractual documentation. Implementation of these action plans is monitored annually.

Each operation is also subject to a "governance review" to determine any ways of improving governance (formally documented in a governance action plan included in the contractual documentation) and any technical assistance required. The objective here goes beyond a risk-based approach. Annual monitoring is subsequently performed to verify that the main commitments set out in the governance action plan are actually adhered to.

Editorial: Proparco
Design and layout: Angie
Photo credits: Proparco, iStock, Fahad Kaizer

May 2023
N° ISSN: following ISSN 2679 - 5043 (print) 2744 - 0176 (web), corresponding to Proparco's previous sustainability reports
English translation: Neil O'Brien/Nollez Ink

proparco.fr
www.blog.secteur-prive-developpement.fr

Follow us

Twitter LinkedIn YouTube

PROPARCO
GROUPE AFD

ABOUT PROPARCO

Proparco, a subsidiary of Agence Française de Développement Group, has been working with the private sector for over 45 years for a more just and sustainable world. With an international network of 23 local offices, Proparco works closely with its partners to build sustainable solutions in response to environmental and social challenges in Africa, the Middle East, Asia and Latin America. Proparco benefits from sector-based expertise, a wide range of financial solutions tailored to the different stages of business development and its Propulse technical assistance offering designed to scale up the impacts and performance of its partners. With over 450 employees – including nearly 100 working in the field – and a portfolio of €6.7 billion, Proparco is currently one of the largest development finance institutions.

To find out more, go to www.proparco.fr @Proparco

Head Office
Proparco
151, rue Saint-Honoré
75001 Paris, France
Tel.: +33 1 53 44 31 08